Department of Finance Canada

2012–13

Report on Plans and Priorities

Original signed by

James M. Flaherty
Minister of Finance

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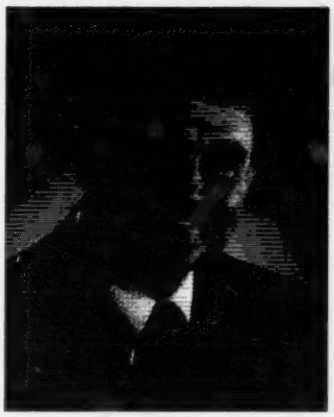
Minister's Message



I am pleased to present the *2012–13 Report on Plans and Priorities* for the Department of Finance Canada. This Report presents a concise overview of Canada's fiscal and economic agenda for the coming year to address the challenges and opportunities facing our country as it works to ensure a sustainable economic recovery.

Despite a fragile global recovery, Canada's fiscal and economic fundamentals remain strong. Our financial system is ranked as the soundest in the world, with well-run financial institutions based on solid risk management. Our effective regulatory and supervisory framework has been consistently recognized as a world leader.

As outlined in the *Economic Action Plan 2012*, the overarching priority of the Department for 2012–13 is to support economic growth and job creation while managing the return to balanced budgets over the medium term. In doing so, the Department will focus on four program priorities.

The first, sound fiscal management will ensure the responsible management of the federal budget. An effective, credible fiscal framework contributes to a sound and stable macroeconomic environment and helps maintain the competitiveness, efficiency, fairness and simplicity of Canada's tax system and sustain our social infrastructure.

The second, sustainable economic growth, focuses on the Department's leadership role in developing sound macroeconomic, tax and structural policies; promoting competitiveness and innovation; and supporting a competitive, efficient, safe and sound financial sector.

The third, sound social policy framework, involves managing current and emerging pressures related to social policy and major transfer payment programs to ensure that those programs are sustainable and effective for all Canadians.

And the fourth, effective international influence, focuses on active engagement with key economic partners on bilateral, regional and multilateral issues to leverage Canada's strengths and promote Canadian trade and investment interests. This effort includes fostering innovative and effective aid policies to reduce global poverty and working toward a stable and secure international financial system.

This Report provides key details on the Department's plans to support these priorities and to ensure that Canada remains on track toward a sustainable economic recovery.

Section I: Organizational Overview

The Report on Plans and Priorities is a key ministerial accountability document to Parliament in which the Department of Finance Canada's expenditure plans are outlined. The Report provides details over a three-year period on the Department's priorities, plans and their expected results, including links to related resource requirements. The Report also discusses how the Department plans to make progress toward its strategic outcome through the program activities.

Raison d'être

The Department of Finance Canada contributes to a strong economy and sound public finances for Canadians. It does so by monitoring developments in Canada and around the world to provide first-rate analysis and advice to the Government of Canada and by developing and implementing fiscal and economic policies that support the economic and social goals of Canada and its people. The Department of Finance Canada also plays a central role in ensuring that government spending is focused on results and delivers value for taxpayer dollars. The Department interacts extensively with other federal organizations and acts as an effective conduit for the views of participants in the economy from all parts of Canada.

Responsibilities

Created in 1867, the Department of Finance Canada was one of the original departments of the Government of Canada and had as its primary functions bookkeeping, administering the collection and disbursement of public monies, and servicing the national debt. Today, the Department helps the Government of Canada develop and implement strong and sustainable economic, fiscal, tax, social, security, international and financial sector policies and programs. It plays an important central agency role, working with other departments to ensure that the government's agenda is carried out and that ministers are supported with high-quality analysis and advice.

The Department's responsibilities include the following:

- Preparing the federal Budget and the Update of Economic and Fiscal Projections;
- Preparing the Annual Financial Report of the Government of Canada and, in cooperation with the Treasury Board of Canada Secretariat and the Receiver General for Canada, the Public Accounts of Canada;
- Developing tax and tariff policy and legislation;
- Managing federal borrowing on financial markets;

- Designing and administering major transfers of federal funds to the provinces and territories;
- Developing financial sector policy and legislation; and
- Representing Canada in various international financial institutions and groups.

The Minister of Finance is accountable for ensuring that his responsibilities are fulfilled both within his portfolio and with respect to the authorities assigned through legislation. In particular, the Minister has direct responsibility for a number of acts as well as fiscal and tax policy relating to other acts that are under the responsibility of other ministers.

Strategic Outcome and Program Activity Architecture

Some adjustments have been made to the Department of Finance Canada's Program Activity Architecture (PAA) for fiscal year 2012–13. The scope of the Department's strategic outcome has been narrowed to focus more on fiscal and economic matters, including a closer alignment with the Department's raison d'être and responsibilities. The Toronto Waterfront Renewal sub activity is now presented as two sub-subactivities, namely Toronto Waterfront Revitalization Initiative and Harbourfront Centre Funding Program. Overall, the changes have no impact on program spending.

The Department of Finance Canada provides effective economic leadership with a clear focus on one strategic outcome, which expresses a long-term and enduring benefit for Canadians:

- A strong economy and sound public finances for Canadians.

The Report on Plans and Priorities describes how plans and commitments for 2012–13 are linked to the Department's PAA, for which expected results and performance indicators were developed as part of the performance measurement framework.

The PAA provides an overview of how all of the program activities and subactivities contribute to the Department's strategic outcome.

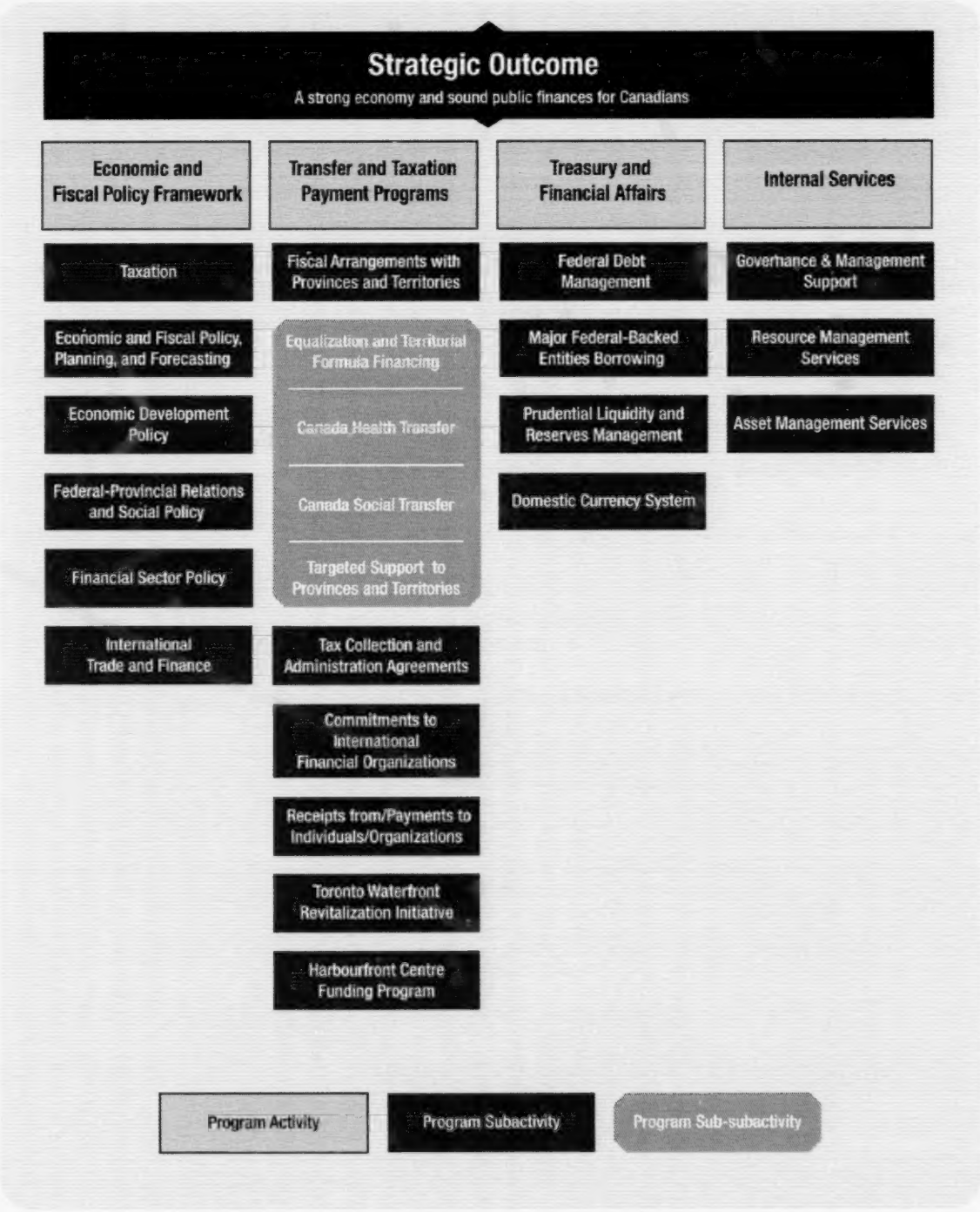
The Department has four program activities, which each contain a varying number of program subactivities. The four program activities are Economic and Fiscal Policy Framework, Transfer and Taxation Payment Programs, Treasury and Financial Affairs, and Internal Services.

The Economic and Fiscal Policy Framework program activity is the primary source of advice and recommendations to the Minister of Finance on issues, policies and programs of the Government of Canada in the areas of economic, fiscal and social policy; federal-provincial relations; financial affairs; taxation; and international trade and finance.

The Transfer and Taxation Payment Programs program activity supports provinces and territories with funding for health, social programs and other shared priorities. Through transfer payments, this program activity enables less prosperous provincial governments to provide their residents with public services that are reasonably comparable to those in other provinces, at reasonably comparable levels of taxation, and provides territorial governments with funding to support public services, in recognition of the higher cost of providing programs and services in the North. This program activity also includes the collection and remittance of provincial, territorial and Aboriginal taxes under tax collection and administration agreements.

The Treasury and Financial Affairs program activity manages debt operations and other financial operations of the Government of Canada.

The Internal Services program activity includes a number of functions and resources that support the Department as a whole in achieving its strategic outcome. Thus, it supports each program activity within the PAA. The Department's PAA is presented in the graphic below.


Strategic Outcome
A strong economy and sound public finances for Canadians
Economic and Fiscal Policy Framework
Transfer and Taxation Payment Programs
Treasury and Financial Affairs
Internal Services
Taxation
Economic and Fiscal Policy, Planning, and Forecasting
Economic Development Policy
Federal-Provincial Relations and Social Policy
Financial Sector Policy
International Trade and Finance
Fiscal Arrangements with Provinces and Territories
Equalization and Territorial Formula Financing
Canada Health Transfer
Canada Social Transfer
Targeted Support to Provinces and Territories
Tax Collection and Administration Agreements
Commitments to International Financial Organizations
Receipts from/Payments to Individuals/Organizations
Toronto Waterfront Revitalization Initiative
Harbourfront Centre Funding Program
Federal Debt Management
Major Federal-Backed Entities Borrowing
Prudential Liquidity and Reserves Management
Domestic Currency System
Governance & Management Support
Resource Management Services
Asset Management Services
Program Activity
Program Subactivity
Program Sub-subactivity

Organizational Priorities

The overarching priority of the Department of Finance Canada for 2012–13 is to support economic growth and job creation while managing the return to balanced budgets over the medium term. In doing so, the Department will focus on six priorities. The first four priorities are operational in nature and focus on ways to improve value for money in the Department's program base. The last two priorities focus on improving the Department's management practices, including human resource and information management. These priorities, and the initiatives contained within, represent the Department's directions for action in advancing its strategic outcome. Each priority supports the Department's strategic outcome, which is aligned to the broader government-wide outcomes.

Priority	Type[1]	Program Activities
Sound fiscal management	Ongoing	PA 1.1: Economic and Fiscal Policy Framework PA 1.3: Treasury and Financial Affairs

Description

The Department of Finance Canada will ensure effective management of the fiscal framework, including responsible management of the federal budget, ensuring the stability of the financial services sector and the competitiveness, efficiency, fairness and simplicity of Canada's tax system.

Why is this a priority?

- To raise revenue to support investments in Canadian social and economic priorities in the most fair and efficient way possible;
- To give the government the flexibility to deal with unforeseen economic and fiscal developments;
- To ensure that the costs of investments and services are not passed on to future generations; and
- To support financial stability, sustainable growth, competitiveness and economic prosperity.

Plans for meeting the priority

- Manage the return to balanced budgets as the economy recovers over the medium term and follow-up on the reporting and assessment of Canada's Economic Action Plan;
- Monitor economic and fiscal developments at home and abroad to formulate first-rate policy advice and develop contingency plans;
- Engage with other government departments and agencies to support their development of new policy proposals that are economically sound and fiscally responsible;
- Provide sound analysis and advice on fiscal and economic developments and on expenditure and tax policy issues;
- Continue to ensure sufficient funding for government debt management operations while providing appropriate flexibility to adapt to changing circumstances, and timely, cost-effective, and well-managed funding for Crown corporations; and
- Continue to examine opportunities to improve the integrity of the tax system and protect the government's revenue base.

1. Type is defined as follows: previously committed to—committed to in the first or second fiscal year prior to the subject year of the report; ongoing—committed to at least three fiscal years prior to the subject year of the report; and new—newly committed to in the reporting year of the Report on Plans and Priorities or the Departmental Performance Report.

Priority	Type	Program Activity
Sustainable economic growth	Ongoing	PA 1.1: Economic and Fiscal Policy Framework

Description

Strong sustainable growth requires sound macroeconomic, tax and structural policies that support the drivers of productivity and growth: business investment and innovation, human capital formation, renewed public infrastructure, and a safe and sound financial system. The Department will continue to play a leadership role by promoting measures that support competitiveness and innovation, financial sector reform, and a competitive, economically efficient, fair and simple tax system.

Why is this a priority?

- To put in place sound policies and effective programs that help create the conditions necessary for both sustainable long-term economic growth and medium-term fiscal balance, thereby increasing Canadians' standard of living; and
- To support financial stability and maintain the safety and soundness of the financial system.

Plans for meeting the priority

- Continue to facilitate government partnerships with the provinces and territories and the private sector in areas that contribute to a strong economy;
- Work with other government departments and central agencies to support the implementation of the government's agenda for enhancing economic growth, including in priority policy areas such as transportation, infrastructure, energy, natural resources, agriculture, fisheries, information and communications technologies, and manufacturing;
- Provide evidence-based analysis and advice on economic and policy issues;
- Promote a stable, efficient and competitive financial sector to ensure that domestic financial markets function well; and
- Continue to improve the competitiveness, efficiency, fairness and simplicity of the tax system to encourage investment and entrepreneurship, labour force participation, and skills and knowledge development.

Priority	Type	Program Activities
Sound social policy framework	Ongoing	PA 1.1: Economic and Fiscal Policy Framework PA 1.2: Transfer and Taxation Payment Programs

Description

A sound social policy framework requires managing current and emerging pressures related to social policy and major transfer payment programs to ensure that those programs are sustainable and effective for all Canadians.

Why is this a priority?

- To respond to current and emerging issues related to social policy and major transfer payment programs; and
- To support the government's efforts to promote equality of opportunity for all citizens across the country and to meet the government's objectives for the equality of life in Canada's communities.

Plans for meeting the priority

- Continue the work on the 2014–15 renewal of major transfer payment programs;
- Work with provinces and territories to ensure the ongoing sustainability of the Canada Pension Plan; and
- Work with other government departments and central agencies to develop policy proposals on government priority areas, including labour markets, Aboriginal, health care, immigration, employment insurance and pensions, justice, public safety, income security and cultural programs as well as programs for seniors, persons with disabilities, veterans and children.

Priority	Type	Program Activities
Effective international influence	Ongoing	PA 1.1: Economic and Fiscal Policy Framework PA 1.2: Transfer and Taxation Payment Programs

Description

Effective international influence requires active engagement with key economic partners on bilateral, regional and multilateral issues to leverage Canada's strengths and to promote Canadian interests. This effort includes promoting Canada's trade and investment interests, fostering effective and innovative aid policies aimed at reducing global poverty, and working toward a more stable and secure international financial system.

Why is this a priority?

- To support the stability of the global financial system; and
- To maintain secure and open borders, strengthen global growth and stability, and contribute to the creation of a more stable global economy, in support of Canadian prosperity.

Plans for meeting the priority

- Advance Canada's leadership internationally with a focus on the G20 Framework for Strong, Sustainable and Balanced Growth and the effectiveness of International Financial Institutions in promoting global financial stability;
- Continue to further Canada's trade and investment interests, including bilateral, multilateral and regional trade negotiations;
- Pursue efforts with the Financial Stability Board to implement the G20 financial sector reform agenda and promote the resilience of the global financial system;
- Continue efforts to negotiate international tax treaties and tax information exchange agreements; and
- Support international development to assist in the government's efforts to reduce global poverty.

Priority	Type	Strategic Outcome Program Activities
Sound financial and human resources management in an environment of budgetary restraint	Previously committed to	The strategic outcome and all the program activities

Description

Continued fiscal restraint creates a greater need for sound and efficient management of the Department's operational budget and human resources through strategic recruitment, employee development, performance management and retention.

Why is this a priority?

- To maintain sound financial and human resources with a particular focus on strategic recruitment, employee development, performance management and retention.

Plans for meeting the priority

- Strengthen performance management and reporting in support of strategic recruitment initiatives, retention and employee development strategies;
- Strengthen the well-being and wellness of employees, including a thorough review of the results and follow-up on the 2011 Public Service Employee Survey; and
- Finalize the implementation of the new government-wide financial management policies.

Priority	Type	Strategic Outcome Program Activities
Strengthen information management and information technology (IM/IT) infrastructure	New	The strategic outcome and all the program activities

Description

Given the nature of the Department's work and the need for effective information security safeguards, the Department will continue to make improvements to its IM/IT infrastructure and services to manage security concerns in a manner that addresses both security and work environment requirements.

Why is this a priority?

- To protect the integrity of the Department's electronic systems and information resource base;
- To ensure that the Department's IM practices are effective and support the delivery of the Department's plans and priorities.

Plans for meeting the priority

- Continue to strengthen the protection of the computer network environment, further to the implementation in 2011–12 of best practices in the area of IT security;
- Implement the Department's Information Management and Technology Strategic Plan 2011–14, to strengthen information management practices, including electronic information management.

Risk Analysis

The Department of Finance remains committed to the ultimate outcome of ensuring a strong economy and sound public finances for Canadians. As global uncertainties continue, the Department's priorities and associated plans are focused on addressing key risks for the planning period.

The global economic recovery has recently weakened, becoming more uneven and uncertain, and the world economy continues to face significant challenges, including the European sovereign and banking debt crisis. Going forward, private sector economists are calling for positive, but modest growth in Canada and the United States. With this forecast, the Department's program priorities and associated plans are designed to mitigate the risks to the Canadian economy while seizing opportunities to strengthen economic growth and job creation and to advance Canada's leadership internationally.

In particular, the Department will continue to manage the economic volatility risks by ensuring it has in place the infrastructure, resources and authorities needed to respond to an evolving economic and financial sector environment. The Department will also manage the increased requirement for coordinated international decision making to deal with uncertain world economic conditions, with attention to ensuring that responsible agencies take effective coordinated action to support the soundness, integrity and reputation of the Canadian financial system.

The Department recognizes that as a knowledge-based organization, its continued success depends on attracting, developing and retaining a highly skilled and adaptable workforce. The Department will continue to focus on staff retention, strategic recruitment, cost-effective training and development initiatives as a successful way of achieving desired outcomes.

Given the nature of its mandate, the Department requires a reliable and secure information technology (IT) infrastructure. In light of the prevalence of IT security incidents, in both public and private sectors, and the anticipated move of the Department's operations to another location, the Department will continue to strengthen its IT and information management (IM) infrastructure based on best practices, including continued improvements to the secure computer network environment in collaboration with Shared Services Canada, and strengthened IM practices.

Planning Summary

Financial Resources ($ thousands)

The financial resources presented below represent the total funds available to the Department of Finance Canada to deliver its mandate. They are composed of statutory votes and voted amounts.

2012–13	2013–14	2014–15
86,139,215.2	90,255,799.8	92,826,305.8

Human Resources (Full-Time Equivalent—FTE)

The following table summarizes the total planned human resources for the Department for the next three fiscal years. Human resources are presented as the number of full-time equivalents (FTEs).

2012–13	2013–14	2014–15
822	797	792

Planning Summary Tables

The tables below list the Department's strategic outcome and the associated performance indicators and targets, as well as program activities and the financial resources allocated to each.

Strategic Outcome: A strong economy and sound public finances for Canadians	
Performance Indicators	**Targets**
Real gross domestic product (GDP) growth	In line with G7 counterparts
Federal budgetary balance	In line with Government of Canada commitments
Unemployment rate	In line with G7 counterparts

($ thousands)

Program Activity	Forecast Spending 2011–12	Planned Spending			Alignment to Government of Canada Outcomes
		2012–13	2013–14	2014–15	
PA 1.1: Economic and Fiscal Policy Framework	246,323.7	72,940.0	64,006.0	62,373.0	Strong Economic Growth[i]
PA 1.2: Transfer and Taxation Payment Programs	56,668,170.0	57,042,204.2	60,124,289.6	61,199,894.6	All outcomes[ii]
PA 1.3: Treasury and Financial Affairs	28,523,000.0	28,982,000.0	30,015,339.2	31,509,006.2	Strong Economic Growth[iii]
Total Planned Spending		**86,097,144.2**	**90,203,634.8**	**92,771,273.8**	

($ thousands)

Program Activity	Forecast Spending 2011–12	Planned Spending		
		2012–13	2013–14	2014–15
PA 1.4 Internal Services	56,741.9	42,071.0	52,165.0	55,032.0
Total Planned Spending		**42,071.0**	**52,165.0**	**55,032.0**

Contribution to the Federal Sustainable Development Strategy

The Federal Sustainable Development Strategy (FSDS) outlines the Government of Canada's commitment to improving the transparency of environmental decision making by articulating its key strategic environmental goals and targets. The Department of Finance Canada ensures that consideration of these outcomes is an integral part of its decision-making processes. In particular, through the federal Strategic Environmental Assessment (SEA) process, any new policy, plan or program initiative includes an analysis of its impact on attaining the FSDS goals and targets. The results of SEAs are made public when an initiative is announced and include the impacts on achieving FSDS goals and targets.

The Department of Finance Canada contributes to Theme I: Addressing Climate Change and Air Quality; Theme III: Protecting Nature; and Theme IV: Shrinking the Environmental Footprint – Beginning with Government, as denoted by the visual identifiers below.

Theme I
Addressing Climate Change and Air Quality

Theme III
Protecting Nature

Theme IV
Shrinking the Environmental Footprint - Beginning with Government

These contributions are components of the following program activities and are further explained in Section II of this Report:

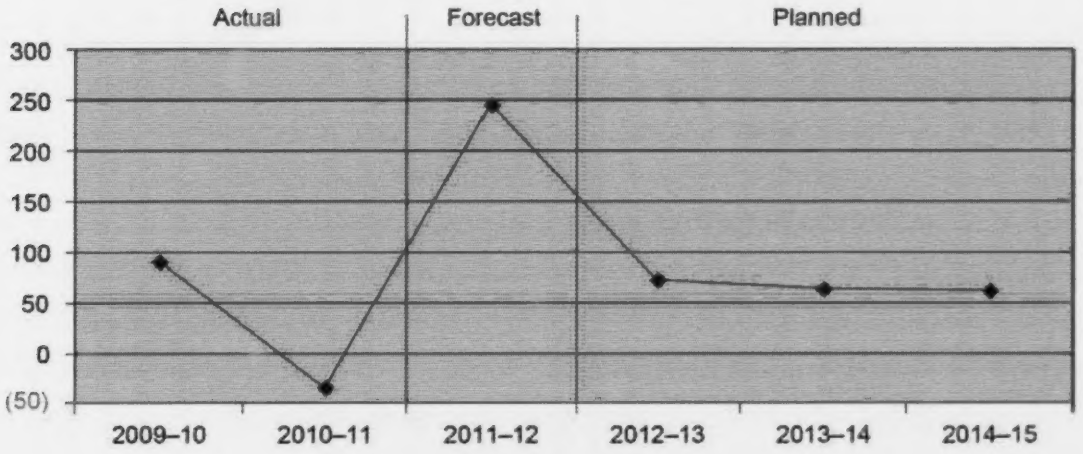
- 1.1 Economic and Fiscal Policy Framework; and
- 1.4 Internal Services.

For additional details on the Department of Finance Canada's activities to support sustainable development, please see Section II of this Report and the Department's website.[iv] For complete details on the FSDS, please visit the Environment Canada website.[v]

Expenditure Profile

For the 2012–13 fiscal year, the Department of Finance Canada plans to spend $86.1 billion to meet the expected results of its program activities and contribute to its strategic outcome. The figures below illustrate the Department's spending trend by program activity from 2009–10 to 2014–15.

Spending Trend - Economic and Fiscal Policy Framework ($ millions)



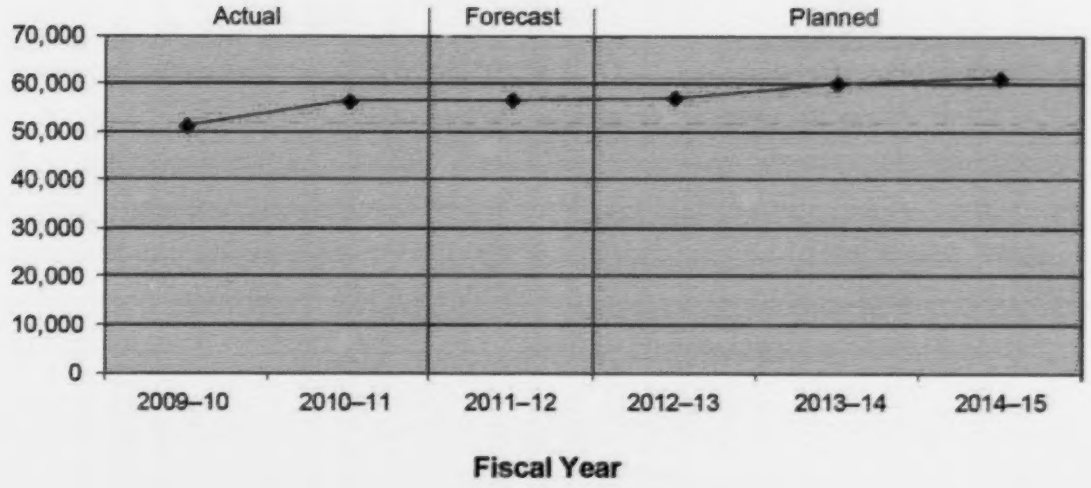
Spending in the Economic and Fiscal Policy Framework program activity includes departmental operating expenditures and employee benefits.

The decrease in 2010–11 actual expenditures is due mainly to the Canadian Millennium Scholarship Foundation ($121.3 million). The Foundation was dissolved in 2010–11, and the residual amount of the original payment made in 1998–99 was credited to the Consolidated Revenue Fund.

The sharp increase in 2011–12 forecast spending and the subsequent decrease in 2012–13 planned spending are due mainly to a planned one-time payment to provinces and territories of up to $150 million for matters relating to the transition to a Canadian Securities Regulator provided under the *Budget Implementation Act, 2009*. In light of the Supreme Court of Canada's decision on the proposed Securities Act (*Reference re Securities Act*), the payment planned for 2011–12 will not take place.

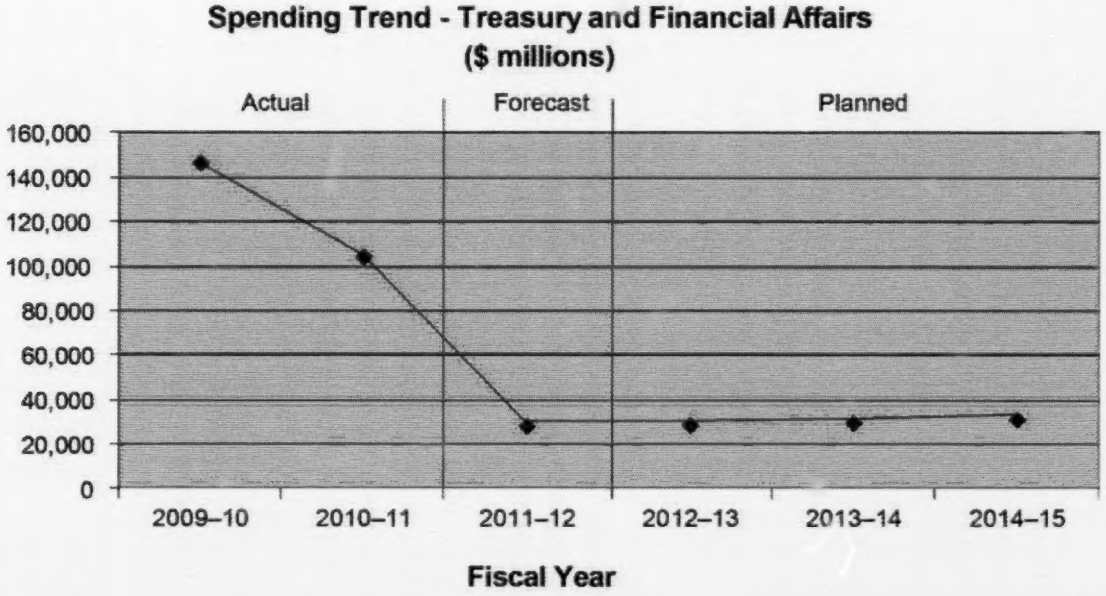
Departmental operating expenditures and employee benefits decrease from $73 million in 2012–13 to $64 million in 2013–14 and $62 million in 2014–15 because of the expiry of time-limited funding related to various initiatives, including the government's advertising program and the funding in support of Budget 2011 initiatives.

Spending Trend - Transfer and Taxation Payment Programs ($ millions)



Spending in the Transfer and Taxation Payment Programs program activity includes transfer payments to the provinces and territories and transfers to international financial institutions for the purposes of debt relief, and financial and technical assistance to developing countries. In addition, the program activity also includes the administration of provincial, territorial and Aboriginal taxes under tax collection and administration agreements.

The increase from actual to forecast and planned spending is due mainly to increased transfer payments for the Canada Health Transfer, the Canada Social Transfer, Fiscal Equalization, and Territorial Formula Financing, which are forecast to grow as legislated until 2013–14. The Canada Health Transfer will grow by 6 per cent annually, and the Canada Social Transfer, by 3 per cent annually. Territorial Formula Financing will grow in line with its legislated funding framework, and the Equalization program will grow in line with the economy. Payments to provinces related to sales tax harmonization started in 2009–10 and are expected to end in 2013–14 with the payment provided for under a harmonization agreement with Quebec.



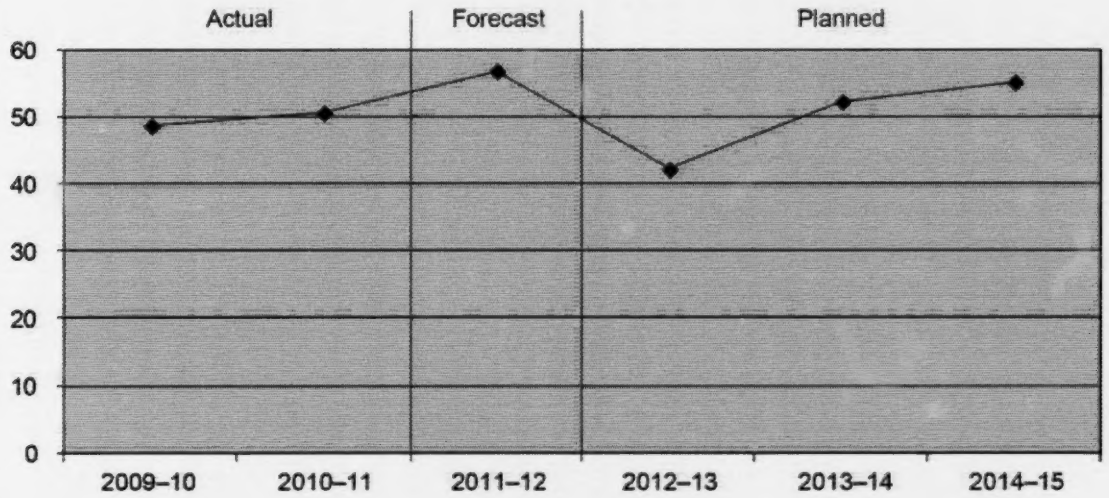
Spending in the Treasury and Financial Affairs program activity includes loans to Crown corporations, interest and other costs related to the public debt, and expenditures related to domestic coinage.

In Budget 2007, the government announced that the domestic borrowing needs of Farm Credit Canada, the Business Development Bank of Canada, and Canada Mortgage and Housing Corporation would be met through direct lending beginning April 1, 2008. Actual expenditures reflect loans to these organizations of $116.4 billion and $76.1 billion in 2009–10 and 2010–11 respectively. There is no forecast and planned spending for 2011–12 and subsequent years for direct lending to these Crown corporations because the gross borrowing requirements of Crown corporations are driven by the need to match the terms and structure of the borrowing requirements of their clients. These activities are influenced by current and expectations of future economic conditions and can vary greatly over a short period of time. Thus, there can be very large and significant variances both inter-year and intra-year.

Interest and other costs related to the public debt vary depending on changes to debt levels and interest rates. Actual expenditures reflect public debt costs of $27.0 billion and $27.9 billion in 2009–10 and 2010–11 respectively. Forecast and planned spending includes an amount of $28.4 billion in 2011–12 and $28.9 billion in 2012–13.

Costs for the production and distribution of domestic coinage vary based on metal composition, production volumes and distribution. Actual expenditures reflect costs of $133 million and $102 million in 2009–10 and 2010–11 respectively. Forecast spending includes an amount of $130 million in 2011–12 and $120 million in 2012–13.

Spending Trend - Internal Services ($ millions)



The Internal Services program activity involves a group of related activities and resources that support program activities and other corporate obligations of the Department.

Spending for the Internal Services program activity mostly includes operating expenditures and employee benefits. The increase in forecast spending in 2011–12 is due mainly to funding for enhanced IT network administration. The decrease in 2012–13 can be explained by the transfer of funding to Shared Services Canada and to time-limited funding of various initiatives. The subsequent increase in 2013–14 and 2014–15 is due mainly to the redevelopment of a Crown site at 90 Elgin Street, Ottawa.

Estimates by Vote

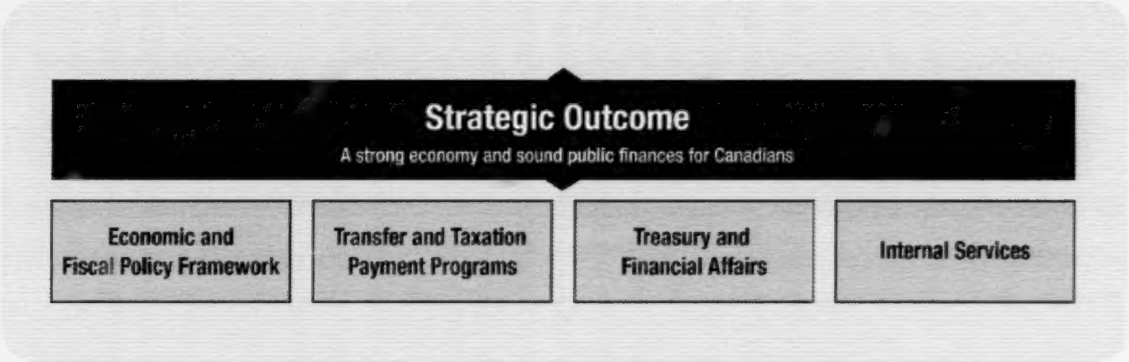
For information on departmental appropriations, please see the 2012–13 Main Estimates publication.[vi]

Section II: Analysis of Program Activities by Strategic Outcome

Section II presents the Department of Finance Canada plans for the four program activities, the program activities' expected results and associated performance indicators, as well as the financial and non-financial resources that will be dedicated to each program activity over the planning period. The plans will ensure that progress is made toward the strategic outcome.

Strategic Outcome

The Department of Finance Canada provides effective economic leadership with a clear focus on one strategic outcome, which all program activities support.


Strategic Outcome
A strong economy and sound public finances for Canadians
Economic and Fiscal Policy Framework
Transfer and Taxation Payment Programs
Treasury and Financial Affairs
Internal Services

Program Activity 1.1: Economic and Fiscal Policy Framework

Program Activity Description

This program activity is the primary source of advice and recommendations to the Minister of Finance on issues, policies and programs of the Government of Canada related to the areas of economic, fiscal and social policy; federal-provincial relations; financial affairs; taxation; and international trade and finance. The work conducted by this program activity involves extensive research, analysis, and consultation and collaboration with partners in both the public and private sectors, including the Cabinet and the Treasury Board; Parliament and parliamentary committees; the public and Canadian interest groups; departments, agencies and Crown corporations; provincial and territorial governments; financial market participants; the international economic and finance community; and the international trade community. In addition, this program activity includes policy advice on the development of Memoranda to Cabinet, negotiation of agreements, drafting of legislation and sponsoring of bills through the parliamentary process, which are subsequently administered by other program activities within the Department and by other government departments and agencies.

Financial Resources ($ thousands)

2012–13	2013–14	2014–15
72,940.0	64,006.0	62,373.0

Human Resources (Full-Time Equivalent—FTE)

2012–13	2013–14	2014–15
561	536	531

Program Activity Expected Results	Performance Indicators	Targets
An economic, social and fiscal framework that supports financial stability, sustainable growth, productivity, competitiveness and economic prosperity	Federal budget balance	In line with Government of Canada commitments.
	Competitiveness and efficiency of Canada's tax system	No target. The goal is to continue to propose changes to the tax system that improve incentives to work, save and invest.
	Stability of financial services sector	No target. The long-term goal is to contribute to low and stable interest rates.

Planning Highlights[2,vii]

Supporting prudent economic and fiscal management

The Department will continue to ensure the effective management of the fiscal framework, including the government's plan to bring the budget back to balance over the medium term.

The Department will assess Canada's current and future economic conditions to formulate first-rate economic policy advice and to provide the basis for accurate fiscal planning. The activities will include regular monitoring and forecasting of Canada's and other countries' economic performance, conducting private sector surveys of the Canadian economic outlook, assessment of factors affecting future growth prospects, and development of contingency plans in the event of weaker than expected economic performance.

The Department will provide spending results related to the extension of selected Economic Action Plan (EAP) programs in the Annual Financial Report and Public Accounts for the 2011–12 fiscal year, to be released in fall 2012.

Improving the competitiveness, economic efficiency, fairness, and simplicity of the tax system

Improvements to the competitiveness, efficiency, fairness and simplicity of Canada's tax system provide a basis for Canadians and Canadian businesses to realize their full potential, thereby encouraging investment, promoting economic growth and increasing Canadians' standard of living. These improvements also strengthen Canadians' confidence in the tax system.

For fiscal year 2012–13, the Department will continue to develop analysis and evaluate options with respect to making the personal income tax system more competitive for highly skilled workers, and reduce disincentives to work for low and modest-income Canadians.

2. Measures within this program activity contribute to Theme I, Addressing Climate Change and Air Quality, and Theme III, Protecting Nature, of the Federal Sustainable Development Strategy. These measures are the accelerated capital cost allowance for clean energy generation equipment, the Green Levy on certain fuel-inefficient passenger vehicles, the Public Transit Tax Credit, and the Ecological Gift Program. For details on the Department of Finance Canada's activities to support sustainable development, please visit the Department's website.

The Department will also continue to monitor the business tax system to ensure international competitiveness and economic efficiency. In addition, the Department will continue to collaborate with provinces and territories to ensure the smooth functioning of the tax system. For example, the Government of Canada will implement its transitional measures to facilitate the transition out of the Harmonized Sales Tax (HST) in British Columbia and will work with Quebec to implement the Canada-Quebec Comprehensive Integrated Tax Coordination Agreement.

At the international level, the Department will continue to review issues identified by the Advisory Panel on Canada's System of International Taxation. As well, the Department will contribute to the G20 initiative to rationalize fossil fuel subsidies by phasing out inefficient fossil fuel subsidies over the medium term. The Department will also continue to negotiate international tax treaties and tax information and exchange agreements with other countries in order to further the policies put forward in Budget 2007 concerning tax information exchange, and the international consensus reached at the G20 and the Organisation for Economic Co-operation and Development, to use tax information exchange to combat tax avoidance and tax evasion.

To maintain the integrity of the tax system and protect the government's revenue base, the Department will continue to analyze and develop options to address aggressive tax planning and tax avoidance.

Supporting the Government of Canada's economic agenda

In support of higher productivity and economic growth, the Department will work toward the implementation of the Government's economic agenda in several economic sectors, including the automotive, aerospace, manufacturing, transportation, tourism, agriculture, fisheries, information and communications technologies, shipbuilding and forestry sectors; as well as in the areas of energy and the environment, research and development, commercialization, regional economic development, infrastructure, defence and public safety.

Furthermore, the Department will continue to lead the systematic review of the government's corporate assets, including Crown corporations under the Minister's responsibility, real property, and other holdings.

Supporting sound social policy and the renewal of major transfer programs

In collaboration with other departments and central agencies, the Department will continue to develop policy proposals that are consistent with, and deliver on, the government's priorities in areas such as labour markets, Aboriginal issues, justice, public safety, and income security. As per the commitments made at the Crown-First Nations Gathering on January 24, 2012, a working group with First Nations, Aboriginal Affairs and Northern Development Canada, Finance Canada and other relevant departments will be established to review the structure of financial arrangements between the federal government and First Nations.

Furthermore, the Department will work with provinces and territories to ensure the ongoing sustainability of the Canada Pension Plan.

The Department will continue discussions with the provinces and territories in preparation for the 2014–15 renewal of federal transfer payment programs. The focus is on reviewing the technical aspects of the Equalization and Territorial Formula Financing programs.

Promoting a stable, efficient and competitive financial sector

With the November 2011 Update of Economic and Fiscal Projections and the 2011 and 2012 budget announcements, the Department will continue to assess the economic outlook and employ the appropriate policy instruments to support stronger financial systems and economic recovery at home.

At the international level, the Department will work with the Financial Stability Board as well as its member jurisdictions and international standard-setting organizations to pursue the G20 financial sector reform agenda, with the objective of ensuring the resilience of the global financial system.

In light of refining the existing financial sector frameworks, the Department will continue to review the legislative frameworks governing federally regulated financial institutions to ensure that they reflect current conditions. Work in this area will include:

- The development of a demutualization framework for property and casualty insurance companies;
- The development of a legislative framework to promote a robust covered bond market; and
- The development of a national financial literacy strategy and enhancements to the financial consumer protection framework.

The Department will continue to promote the effective and efficient provision of financial services in Canada. It will continue to work with the provinces and territories to implement the framework for Pooled Registered Pension Plans across Canada and will assess the effectiveness of Canada's anti-money laundering and anti-terrorist financing regime and recommend enhancements as needed. With respect to the recommendations of the Task Force for the Payments System Review, the Department will provide advice and recommendations on options for the future of Canada's payments system framework. It will also work to provide advice and recommendations on implementation of our G20 commitments on financial sector regulation, in areas such as over-the-counter derivatives and financial institution resolution. The Department will continue to work with provinces and territories on enhancing securities regulation taking into account the Supreme Court of Canada's decision on the proposed Securities Act (*Reference re Securities Act*).

Supporting global finance and trade

As the global economic recovery continues to face challenges and uncertainties, the Department will continue to provide high-quality advice and demonstrate international leadership by co-chairing the working group responsible for steering the G20's Framework for strong, sustainable and balanced growth. In the same way, the Department will provide advice and support Canada's engagement on international economic cooperation matters arising from G7 and G20 forums, the International Monetary Fund, the World Bank, and the Organisation for Economic Co-operation and Development.

Additionally, the Department will advance innovative financing tools in the international community that balance fiscal restraint with Canada's support for global development goals. Furthermore, the Department will continue to advance Canada's trade policy framework in a manner that encourages trade growth, including supporting trade negotiations, both multilaterally under the World Trade Organization, and bilaterally/regionally with priority countries.

Program Activity 1.2: Transfer and Taxation Payment Programs

Program Activity Description

This program activity includes the administration of transfer and taxation payments to provinces and territories as well as taxation payments to Aboriginal governments in accordance with legislation and negotiated agreements. Also included in this program activity are commitments and agreements with international financial organizations aimed at supporting the economic advancement of developing countries. In addition, from time to time, the government will enter into agreements or enact legislation to respond to unforeseen pressures. These commitments can result in payments, generally statutory transfer payments, to a variety of recipients, including individuals, organizations, and other levels of government.

Financial Resources ($ thousands)

2012–13	2013–14	2014–15
57,042,204.2	60,124,289.6	61,199,894.6

Human Resources (Full-Time Equivalent—FTE)

2012–13	2013–14	2014–15
—	—	—

Program Activity Expected Results	Performance Indicators	Targets
Design and administration of the provision of payments to Canadian provinces and territories in support of providing their residents with public services, and to international organizations to help promote the economic advancement of developing countries	Regulations amended to reflect changes made to the Equalization program in Budget legislation	According to statutory requirements, or as determined by environment
	Timely provision of information for Government of Canada reports	No target, as materials are generated on an as-needed basis according to environment
	Percentage of reporting requirements met, including reporting to Parliament, the Office of the Auditor General of Canada, internal auditors, the International Monetary Fund and the Organisation for Economic Co-operation and Development, etc.	100 per cent of requests fulfilled on time and in an accurate manner

Planning Highlights

Supporting fiscal arrangements with provinces and territories

In the context of an aging population and slowing labour force growth, and ongoing uncertainty surrounding the global and domestic outlooks, it is important that federal transfers and social programs be sustainable and effective for Canadians.

To support fiscal arrangements with provinces and territories, the Department will continue to update regulations and legislation related to major transfer payment programs and other legislative requirements under the responsibility of the Minister of Finance, where required, to ensure that the administration of these programs remains timely, accurate and transparent. In this context, the Department will continue to improve modeling capacity where possible, and undertake further refinements of the data used in calculating major transfer entitlements to support the effective management of transfer payment programs.

The Department will also improve the transparency of the federal transfer payment system and continue to engage with the provinces and territories on technical issues in preparation for the 2014–15 renewal of major transfer payment programs.

Ensuring that tax agreements with provinces, territories and Aboriginal governments meet policy and administrative objectives

The Department will continue to work to improve and enhance the application and administration of its tax agreements with provinces, territories and Aboriginal governments. This will include continuing to align the payments made with the terms and conditions of the existing agreements to ensure accurate and timely payments.

The Department will also participate in negotiations with Aboriginal governments for new tax administration agreements, and work with provinces and territories to facilitate similar arrangements between them and Indian bands.

Supporting international development and global financial stability

The Department will deliver on the Government of Canada's commitments to support international financial institutions and multilateral development banks in fulfilling their renewed mandates in line with Canadian objectives. These objectives include strengthening governance and accountability, helping to ensure sustainable global growth and supporting the economic advancement of developing countries.

Supporting sustainable urban development and infrastructure renewal

With respect to the Toronto Waterfront Revitalization Initiative (TWRI), the Department will oversee the completion of federally funded projects and the administrative wind-down of the TWRI program, to be terminated by March 31, 2014. Also, the Department will manage the Harbourfront Centre Funding Program, which has been renewed for five years until 2016, in order to support the economic, social and cultural development of the Toronto waterfront.

Program Activity 1.3: Treasury and Financial Affairs

Program Activity Description

This program activity provides direction for Canada's debt management activities, including the funding of interest costs for the debt and service costs for new borrowings. In addition, the program manages investments in financial assets needed to establish a prudent liquidity position. This program supports the ongoing refinancing of government debt coming to maturity, the execution of the budget plan, and other financial operations of the government, including governance of the borrowing activities of major government-backed entities, such as Crown corporations. This program activity is also responsible for the system of circulating Canadian currency (bank notes and coins) to meet the needs of the economy.

Financial Resources ($ thousands)

2012–13	2013–14	2014–15
28,982,000.0	30,015,339.2	31,509,006.2

Human Resources (Full-Time Equivalent—FTE)

2012–13	2013–14	2014–15
25	25	25

Program Activity Expected Results	Performance Indicators	Targets
Prudent and cost-effective management of the government's treasury activities and financial affairs	Percentage of program line targets achieved	100 per cent of program line targets achieved
	Alignment of contingency plans to potential financial and operational risk events	100 per cent alignment

Planning Highlights

Managing Treasury and Financial Affairs

In 2012–13, the Department will take actions to ensure sufficient funding from government debt management operations while providing appropriate flexibility to adapt to changing circumstances, and ensure timely, cost-effective and well-managed funding for Crown corporations.

In the area of debt and reserve portfolio management, the Department will continue to implement the medium-term debt strategy announced in Budget 2011, involving the introduction of new benchmark maturity dates and other actions to reduce refinancing risk, increased holdings of prudential liquidity, as well as improved metrics to measure progress. With long-term interest rates at historically low levels, the Government plans to increase issuance of 10-year bonds and reduce the stock of treasury bills and issuance of short-term bonds compared to 2011–12. Together, these actions will help achieve the government's objective of raising stable, low-cost funding while preserving a well-functioning Government of Canada securities market. The Department will continue to implement the funding and investment plan to increase the government's liquidity position under the new prudential liquidity plan. The objective of the prudential liquidity plan is to safeguard the government's ability to meet payment obligations in situations where normal access to funding markets may be disrupted or delayed.

With respect to circulating currency, the Department will continue to support the introduction of a new bank note series by the Bank of Canada and strong enforcement measures to reduce the incidence of counterfeiting, and work with the Royal Canadian Mint to enhance the efficiency of the circulating coinage system.

Program Activity 1.4: Internal Services

Program Activity Description

Internal Services are activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. The Internal Services categories are Management and Oversight Services, Communications and Consultations Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Materiel Services, Acquisition Services, and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not those provided specifically to a program.

Financial Resources ($ thousands)

2012–13	2013–14	2014–15
42,071.0	52,165.0	55,032.0

Human Resources (Full-Time Equivalent—FTE)

2012–13	2013–14	2014–15
236	236	236

Planning Highlights

Sound financial and human resources management in an environment of budgetary restraint

To support strategic recruitment initiatives as well as retention and employee development strategies, and building on its solid integrated business planning process, the Department will continue to strengthen performance monitoring and reporting on its corporate Human Resources Plan. In doing so, it will follow through on the recommendation of an internal audit on human resources planning by establishing a well-defined performance measurement framework, including specific, measurable, attainable and time-oriented targets. In support of a high-performing workforce and the management of emerging talents, the Department will continue to implement its recently modernized performance management program for non-EX employees, which provides for a strengthened performance appraisal process.

The Department will also continue to strengthen the well-being of employees, notably by reviewing and acting on the results of the 2011 Public Service Employee Survey.

To meet internal representation targets established in the corporate Human Resources Plan, the Department will work to increase the representation of designated groups, particularly Aboriginal peoples and persons with disabilities. The cornerstone of this strategy will be the launch and the implementation of a three-year employment equity and diversity action plan to ensure full compliance with the *Employment Equity Act*.

In the area of financial management, the Department will continue to implement new government-wide policies to improve procurement and investment planning, quarterly financial reporting, and will continue to provide future-oriented financial statements.

Ensuring the availability of IM and IT services, aligned with the plans and priorities of the Department

The Department will continue to improve its information management and information technology (IM/IT) infrastructure and services to manage security concerns in a manner that addresses both security and work environment requirements. Key projects include continued improvements to the new secure IT network environment and managing service delivery from the newly created Shared Services Canada. Also, the Department will implement its IM/IT strategic plan for 2011–14 and work toward full compliance with the Treasury Board *Directive on Recordkeeping*.

Supporting Departmental initiatives

Through effective communications services and products, the Department will support *Economic Action Plan 2012* and other medium and long-term economic initiatives.

The Department will continue the implementation of the Treasury Board *Policy on Internal Audit* and the *Policy on Evaluation* by updating and implementing the risk-based audit plan and the evaluation plan. This will continue to be done with a value-added focus and in support of departmental initiatives.

The Department's legal officers will continue to provide quality legal advice, litigation support and drafting services in support of key government priorities. Attention will be focused on matters such as the management of the national debt, the integrity of the fiscal framework, the federal regulatory framework for financial institutions, the path forward with respect to enhancing the regulation of capital markets and maintaining a fair and efficient tax system, and issues relating to sales tax harmonization.

The Department will continue to exercise sound management and decision making in responding to requests under the *Access to Information Act* and the *Privacy Act* and will also implement a Departmental Code of Conduct consistent with the provisions of the Values and Ethics Code for the Public Sector.

The Department participates in the Federal Sustainable Development Strategy and contributes to the targets for Greening Government Operations through the Internal Services program activity. The Department contributes to the following target areas of Theme IV: Shrinking the Environmental Footprint – Beginning with Government:

- Green Procurement;
- E-waste;
- Printing Units;
- Paper Consumption; and
- Green Meetings.

Additional details on the Department's Greening Government Operations activities are available on the Treasury Board of Canada Secretariat's website.[viii]

Section III: Supplementary Information

Financial Highlights

Future-Oriented Condensed Statement of Operations

For the Year (ended March 31)

($ thousands)

	$ Change	Future-Oriented 2012–13	Future-Oriented 2011–12
Total Expenses	1,743,015	85,591,136	83,848,121
Total Revenues	(482,141)	3,859,248	4,341,389
Net Cost of Operations	2,225,156	81,731,888	79,506,732

Future-Oriented Condensed Statement of Financial Position

For the Year (ended March 31)

($ thousands)

	$ Change	Future-Oriented 2012–13	Future-Oriented 2011–12
Total assets	949,355	170,115,058	169,165,703
Total liabilities	33,296,566	670,511,213	637,214,647
Equity of Canada	(32,347,211)	(500,396,155)	(468,048,944)
Total	949,355	170,115,058	169,165,703

Future-Oriented Financial Statements

The Department of Finance Canada's future-oriented statement of operations for the year ended March 31, 2012, can be found on the Department's website.[ix]

List of Supplementary Information Tables

All electronic supplementary information tables found in the *2012–13 Reports on Plans and Priorities* can be found on the Treasury Board of Canada Secretariat's website.[x]

- Details on Transfer Payment Programs;
- Greening Government Operations;
- Horizontal Initiatives;
- Sources of Respendable and Non-Respendable Revenue;
- Upcoming Internal Audits and Evaluations over the next three fiscal years.

Section IV: Other Items of Interest

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Endnotes

i. Descriptors for Government of Canada Outcome Areas, http://www.tbs-sct.gc.ca/ppg-cpr/descript-eng.aspx#bm01

ii. Whole-of-government framework, http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx

iii. Descriptors for Government of Canada Outcome Areas, http://www.tbs-sct.gc.ca/ppg-cpr/descript-eng.aspx#bm01

iv. Department of Finance, http://www.fin.gc.ca/purl/susdev-eng.asp

v. Environment Canada, http://www.ec.gc.ca/dd-sd/

vi. 2012–13 Main Estimates, http://www.tbs-sct.gc.ca/est-pre/20122013/p2-eng.asp

vii. Department of Finance, http://www.fin.gc.ca/purl/susdev-eng.asp

viii. Treasury Board of Canada Secretariat, http://www.tbs-sct.gc.ca/rpp/2012-2013/info/ggo-eog-eng.asp#fin

ix. Department of Finance Canada, at http://www.fin.gc.ca/fs-ef/fso-efp-2012-eng.asp

x. Treasury Board of Canada, Secretariat, http://www.tbs-sct.gc.ca/est-pre/index-eng.asp